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ABSTRACT

A pilot study examined the relationship between the retail sector and food and beverages industries and their implications for training. A range of case studies were undertaken in food manufacturing and retailing enterprises in the United Kingdom (UK) and Germany. The UK case studies examined the problems of manufacturers, both small and large, supplying large retailers; the perspective of a large retailer; and the franchiser-franchisee relationship and problems of supplying the catering sector. Participants in the UK case studies were a meat processor, fast food restaurant, supermarket, and liquid milk producer. Even without long term commitments between retailers and manufacturers, the system worked to give some degree of stability. Pressure was placed on the manufacturer to be innovative and responsive. The other vital ingredient was the commitment to quality. Participants in the German case studies were a delicatessen, health food cooperative, and large manufacturers of fresh milk products. Quality standards were set by the retailers; there was no regular communication on products, product innovation and quality, or prices. Findings from these studies and other sources indicated the dynamic and competitive nature of the food supply chain had resulted in quality being a dominant issue in the interrelationships between the sectors. Common training activities were proposed to help all employees understand their specific role in the quality chain. (YLB)

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Relationships between food manufacturers and retailers and possible implications for training

R.D. King and W. Kruse

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RELATIONSHIPS BETWEEN FOOD MANUFACTURERS AND RETAILERS AND POSSIBLE IMPLICATIONS FOR TRAINING

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FOREWORD

This publication is a pilot study of the relationships between the retail sector and food and beverages industries and their implications for training.

Both sectors have already been analyzed in other CEDEFOP work, particularly in the FORCE sectoral surveys on in training. The knowledge thus gained has permitted us to initiate this empirical study on a subject of which there is insufficient knowledge.

The reader will find at the end of the study a presentation of other recent studies from the international bibliography on the interactions between Food Retailers and Manufacturers, which confirm and reinforce our own findings.

The sectors, one upstream and the other downstream, have always had contacts and some form of collaboration but it is only in recent years that European food manufacturing has been influenced by the purchasing alliances on the one hand and the food retail by the increasing concentration of the food industry, on the other.

Another reason for having chosen food manufacturing and food retailing is the nature of food itself which is perishable and requires proper handling in production and sales to secure integrity, safety and high standards of quality. This could have meant intensive collaboration in training issues not only for each sector separately as is the case now, but for both jointly.

Our findings, despite the limited number of seven case studies analysed in only two Member States, seem to coincide with those of major research, that is to say that collaboration in training matters between retailers and manufacturers is very limited and that relationships between them range from systematic to occasional, from short to long term, from trust to total control.

Finally it seems that the size of the firm, either in retail or in manufacturing, and its positioning in the market are the decisive factors shaping the relationships between parties.

But recent developments in consumer demand for fresher and better quality food, in the European legislation on health and consumer protection, in management and in information technology give support to the adoption of reciprocal training measures.

The reader will find some proposals in the conclusions. Effort has been made to analyse as many types of relationships, subsectors and organizational structures as possible within the time and budget limits we had.

FOREWORD

Findings on United Kingdom and Germany have been supplemented by information on the Netherlands and Spain and data of the FORCE surveys.

We would like to thank the seven enterprises which were kind enough to take part in the research, even though we decided not to publish their names.

We would also like to thank the two researchers Dr. Richard King of the Department of Food Science and Technology of the University of Reading and Dr. Wilfried Kruse of the Sozialforschungsstelle Dortmund for their commitment.

Finally we would like to thank in particular the European Social Partners of both sectors and their representatives with whom we have informally discussed the findings of the study.

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RELATIONSHIPS BETWEEN FOOD MANUFACTURERS AND RETAILERS AND POSSIBLE IMPLICATIONS FOR TRAINING

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1 BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Two surveys have been undertaken by the Task Force Human Resources and CEDEFOP on company training policy, one in the retail[1] and the other in the food and beverage sector[2]. From these it was clear that there were strong links between the two sectors. The nature of these links was usually poorly described, and in some country reports there was the implication that the relations between the sectors were poor. It was clear that the retailers were having to respond to their customers as were the manufacturers to theirs. That the manufacturers were having to respond suggests that links exist that could have a direct influence on training in the manufacturing enterprise. This project aims to examine in more detail the relationship between the sectors and how the business requirements of one might affect the other.

1.2 RESULTS OF THE EUROPEAN RETAIL SECTOR TRAINING POLICY SURVEY

The retail trade sector is undergoing an important process of change. The market is becoming saturated, a situation recently aggravated by the economic recession across the EU. To compete, retailers in the food sector are trying to offer better quality of service and fresher products at more competitive prices. Company image is considered an important factor in marketing, often directed at developing customer loyalty. A further factor specific to the food retailers is the increasing customer awareness and political importance of hygiene and food safety, which is manifested in the EU Food Hygiene Directive[3]. These issues often bring a desire or need for a change in sales strategies and behaviour, introducing new pressures and topics to a company's training policy. Reaction to the situation was seen more in the larger retail companies.

All employees, including part-timers, are the target for this new emphasis on training. A widespread trend among retail firms is to internalize training, a practice which is consistent with the conception of training as part of a company's strategy for developing a specific image, or company signature. Access to training is usually voluntary, some reluctance to participate was observed. The way training is organized varies according to each company's circumstances. Larger companies are establishing training departments and training centres operating

1 Training in the Retail Sector – A survey for the FORCE Programme, W Kruse, O Bertrand, O Homs, M Mendez-Vigo and H van den Tillaart. Task Force Human Resources, Brussels, 1993.

2 Training in the Agrofood Sector – A survey of the FORCE Programme, J Burns, R D King, F Delay, L Mallet, Task Force Human Resources, Brussels, 1993.

3 Council Directive 93/43/EEC on the hygiene of foodstuffs, 14 June 1993

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to a policy based on the identification of training needs.

The situation of small enterprises in the retail sector can be rather different. Until recently these companies made no provision for training. According to the sector survey the situation is changing with training becoming a key element for future development for the enterprise. This is especially relevant when these firms participate in voluntary chains or alliances.

1.3 RESULTS OF THE EUROPEAN AGROFOOD TRAINING POLICY SURVEY

Food manufacturing enterprises present a heterogenous picture across the EU. The vast majority are small or medium sized, and their numerical predominance is especially apparent in the Southern Member States. By contrast the large firms and giant multinationals dominate the output and employment of countries like UK, France and Denmark. Cooperatives have been important in the food industry's development in many countries. There is a general trend towards increasing industrial concentration as large firms strengthen their grip across more markets and as small firms continue to leave the industry. The current pressures on the industry are very similar to the retail sector, although perhaps rather more intense. The output of the Food and Beverage sector is fairly stable, in recent years showing only a slight growth. It is however a far from static sector, in that companies are competing for market share. The pressure is therefore on profit margins while producing to a specified standard. Quality issues are not surprisingly dominant in most of the case studies.

Many of the enterprises studied, both small and large, are looking for ISO 9001 or 9002 accreditation. Small companies, which might be more vulnerable in the event of loosing a large customer are perhaps more committed to this path. The large companies have greater industrial muscle and are more capable of defending the effectiveness of their quality assurance and so are less worried about ISO 9000. It is more common to see a total quality approach in the larger companies and as they are increasingly concerned about customer satisfaction and costs.

Overall it is a sector undergoing considerable change with training policy more determined by restructuring human resource management, with the introduction of team working, development of a more versatile workforce where good social or interpersonal skills are often just as important as good technical skills.

1 BACKGROUND TO THE STUDY

1.4 CHANGES IN THE FOOD MARKET STRUCTURE

The European Synthesis and the National reports of the FORCE survey of company training policy looked in detail at the changing markets for food across the EU. Population and demographic changes were identified as important areas in most reports. The population of the EU members is expected to grow on average at less than 0.2% per year, with slower growth rates in some of the more northern countries. The increasing percentage of people of retirement age, the decline in household size and the trend to childbearing at an older age are all factors that might be expected to shape the market for foods.

Social and health issues

There are many social changes that are affecting the retail market for food. The increasing employment of women, more often in part-time employment, is perhaps one of the most important pressures towards the increasing sales of prepared foods. The trend to eating away from home is increasing. In the UK about one-third of the total food budget was spent on eating out in 1991[4]; compared to less than one-fifth in 1983. The UK consumer now eats out more frequently compared to those in other parts of the EU, including Germany, France, Italy, Spain and Netherlands[5]. This is a factor that could have a significant impact on food producers if the trend is observed across the EU. Consumer awareness of health issues and food safety has increased. So changes in eating patterns can be seen, e.g., the trend to consume less milk fat, and the increase in sales of wholemeal bread. The concern about food additives has had a significant impact on food production and distribution, with greater control now necessary to ensure food safety. Environmental issues do not seem to have had a significant affect on the food manufacturing and retail sectors yet. However, the average EU consumer is better educated than twenty years ago so these issues could be become increasingly important.

Changing tastes of the consumer

The Agrofood survey reported on the growing consumer interest in foreign cuisine in some countries. Whether this is the result of a lack of a strong regional cuisine in some regions or, due to increased foreign travel or the influence of ethnic minorities, it is not clear. This change is manifested in the increasing range of products offered in the supermarket. Mascarpone and feta cheeses are almost as likely to be found in Germany and UK as in Italy or Greece. This trend is perhaps most obvious in the chilled pre-

4 Household Food Consumption and Expenditure, 1992, HMSO, London

5 Nielsen European Passport, 1992

pared foods, where the diversity continues to widen. The range of dishes and regional cuisines featured continues to grow, as the supermarket tests the boundaries of the consumers interest.

Changing habits of the consumer

The availability of ready prepared foods in the supermarkets is continuing to increase. At one level this could be simply ready washed and prepared vegetables or salads, or at another extreme chilled prepared meals. This change in lifestyle of the consumer is readily serviced by the supermarket, and made possible by an increasing sophistication of the technology employed by the food industry. Two developments have fuelled this development more than most, the establishment of a cold chain in distribution system, and the ownership of a microwave oven.

Chilled prepared meals

The sale of chilled prepared meals (CPM), which includes all types of chilled recipe dishes, either as a complete meal or for part of a meal i.e. a meat or vegetable dish, is an important development area. Meat dishes account for the majority of the sales, although the proportion is expected to diminish. CPMs may require cooking or simply reheating before serving. Ready prepared meals for use in restaurants is also an expanding market.

With these new products the supply side is highly fragmented. Some suppliers can be very small companies, delivering to restaurants and specialist shops. Distribution requires an effective cold chain, as the food safety risks are very high for these products. An increasing proportion of CPMs are either ethnic foods or from a regional cuisine. In the UK where this market is developing very quickly the supply structure is retail led, with the major retailers dominating the market. Marks and Spencer plc had about 46% of the UK market in 1992[6], however their market share is declining to the benefit of other large groups. The total UK sales in 1992 was worth about £308 million. Retailers are keen to respond to their customer's wishes, this ultimately translates to the need for a skilled flexible workforce so manufacturers can respond to their customers. Preparation of these foods tends to be highly labour intensive.

Changes in distribution

The economies of scale in food distribution using bigger lorries with temperature control have been significant, which together with the use of electronic data interchange and delivering to regional depots has benefited the retailer. There is some confusion for manufacturers

6 1992 (Mintel)

because of the failure to adopt standards, e.g. in article numbering codes.

Structural changes

Across the EU the shopper is increasingly turning to a supermarket or hypermarket at the expense of the specialist shops. The specialist purveyors of fruit and vegetables, fresh meat, fresh fish, bread and cut flowers account for over 50% of the sales of these goods. The preponderance of sales between these groupings varies significantly between EU states. The specialist bakers still maintain their dominant position in France, Belgium and Germany, and the importance of specialist shops for wet fish sales in the Netherlands is notable. The distribution between specialist and supermarket is much less marked for fresh meat and fresh fruit and vegetables. This concentration of supermarkets is most apparent in Ireland and the UK where the market share of the top five food retailers is highest in the EU (76 and 61%). In some of the prospective new member states, such as Finland and Austria the concentration is even greater (95 and 82%). Spain and Italy have the least concentrated retail sector where the market share of the top five retailers is 10 and 15% respectively[7].

1.5 FOOD QUALITY

Quality awareness and safety issues are major concerns within the food industry across the Community. As already discussed, the business pressures in this sector are considerable. One significant aspect of gaining a competitive edge has been a greater awareness of quality and the introduction of quality programmes. In turn these quality awareness programmes and quality improvement plans are leading to the implementation of quality management systems. This can mean companies working towards the ISO 9000 series standard for their quality assurance system, or may be a commitment to a total quality programme. The importance of the ISO 9000 series standard and quality management in the food and beverage sector for all Community countries is evident from the case studies undertaken for the FORCE sector survey for the sector. Quality management systems are often an important driving force for a company to develop a comprehensive training policy[8].

Other pressures leading to developments in quality assurance arise from legislation on food safety. A particularly important example originates from the Community directive on food hygiene, that recommends the use of Hazard

7 ISSO 1990, Food Retailing in Europe, International Self-Service Organization, 1992.

8 Quality management systems and training policy in the Food and Beverage Industry – A report for the Task Force Human Resources, R D King, J A Burns. Food Technology Centre, University of Reading, 1994

Analysis Critical Control Point (HACCP)[9] procedures should be used to assure the microbiological quality of foods. These procedures can also be applied to assure the chemical safety of foods. It is possible that a due diligence defence to prosecutions under the food safety laws will be introduced in to EU legislation. If this was the case the interest in quality management could be expected to continue to increase.

1.6 METHODOLOGY

The approach adopted was similar to that of the European studies on the Food and Beverage, and Retail sectors. A range of case studies have been undertaken in food manufacturing and retailing enterprises. This has involved interviewing mainly the factory management. In this study apart from looking for a commitment to training the position of the enterprise in the industry was important. It was hoped to include enterprises that would illustrate a variety of possible relationships, large retailer – large manufacturer; small retailer – large manufacturer etc. As this is very much a pilot study the complete spectrum of manufacturer – supplier relations in the EU could not be examined. A further complication in this study was the closeness of the subject to the commercial interests of the enterprises, which restricted the range of possible interviews.

This study has involved only two of the EU states, UK and Germany. A crude test of the representativeness of the results to the wider EU scene was undertaken by seeking the views of the Social Partners in the two sectors in the Netherlands and Spain. Other recent and related studies on this subject were examined, as were the case studies of the FORCE/CEDEFOP sector surveys.

9 HACCP is a quality assurance scheme specifically concerned with the production of safe food. It was originally developed as microbiological safety system for the US manned space programme. The HACCP principles have international acceptance, details of this approach are published by the Codex Alimentarius Commission: Codex Committee on Food Hygiene (1993) Guidelines for the Application of the Hazard Analysis Critical Control Point (HACCP) system. WHO/FNU/FOS/93.3 II.

2 UK CASE STUDIES

2.1 INTRODUCTION

The UK case studies were selected to examine the problems of manufacturers, both small and large, supplying large retailers, and the perspective of a large retailer.

The franchiser – franchisee relationship and problems of supplying the catering sector were also included in this study. Franchising is a growing form of business relationship, it can be between a manufacturer and retailer, or one that concerns a product concept and a marketing system. Franchising arrangements are likely to increase, at present about 4% of retail sales in the UK is through a franchise outlet. This proportion is much higher in the USA, possibly as high as 60%, suggesting that there is considerable scope for growth in the EU. The hospitality or leisure industry has a considerable number of franchise operations. Franchisees range from individuals to large corporate organizations, they are generally small units, employing relatively small numbers of people. Many, typically the fast food restaurants, operate on a high volume, low margin basis. So uniformity of service and quality across the outlets is required. This implies the need for the implementation of a good training policy. In the UK there are few examples of franchising in food retail, rather more exist in the catering industry. One area, the door step delivery of milk, although a declining market, is often through small franchised operators.

2.2 CASE STUDY 1: MEAT PROCESSOR

This is a private, family-owned company, with a number of the family involved in the day-to-day management of the company, as well as on the Board of Directors. They purchase and slaughter nearly 4000 live pigs per week, producing a range of cured meat products, sausages, savory bakery products, delicatessen goods, traditional cooked meats, haggis and an increasing range of value added products, usually in the form of ready prepared meals. Most of the products produced present considerable potential for food safety problems, the cooked meat department being a prime example.

Historically the major proportion of the sales was of their own brand label produce, and distributed to small retail units. Now over 50% of the production is sold directly to large UK retailers such as Marks and Spencer, Tesco, Co-op, Asda, and Safeway. Distributing to small retail outlets through their own van sales network continues as a minor part of the business. The proportion of the business directed to the large retailers continues to grow. They are now considering using a different brand name for produce destined for discount stores.

The company has grown substantially over the last few years and future significant expansion is envisaged. It currently employs about 1400 people and is situated in an area where there is

a good supply of labour to draw on, albeit with a generally low level of initial education. Wages are considered to be slightly above average for the area, mainly to compensate for the unpleasant environment of a meat processing factory.

The training department is an established part of the factory, with training policies developed for most parts of the company. The general approach was, and still is, very much directed towards training to nationally recognized standards, through on the job training with assessment of competencies in the workplace. Some of the early difficulties of using a trainer operator system, when supervisors were sometimes reluctant to allow the trainer operator to train, have been resolved by establishing a new position of training officer, who is responsible to the training manager. The responsibility for the training officer's wages, and line management have been transferred to the training department. This segregation makes training costs much more visible, it could have beneficial effects on the effectiveness and cost efficiency of training. Training officers are trained and assessed. Increasing the competence of all the work force is very much an objective, as this is seen as a way of improving efficiency, or reducing wastage i.e. improving business performance. Vertically orientated relationships exist for this company with their major suppliers, the farmers, and with their major customers the retailers.

Relationship with farmers

Good quality pig meat is an essential raw material, the company therefore go to considerable trouble to develop a good relationship with the farmers who supply them. The core of this relationship is the feedback of information to the farmers so they can produce the high quality carcasses required. It is to the advantage of the farmer to ensure all their animals meet the criteria for the highest grade, they then receive the highest prices. A regular and reliable supply of high quality meat is important to a manufacturer supplying highly demanding retailers.

Relationship with retailers

This is a complex and sensitive area which presents many problems. The main interface with the retailers, the sales department, has been structured to reflect the change to producing retailer own label goods by bringing the sales team and production closer together. Each national account manager is now teamed with a food technologist so the technological and commercial questions are bridged and answered.

Dealing with highly perishable foods with a short shelf-life, customers have negotiated contracts where orders for produce may be placed on a daily basis, this is to allow for some fluctuation in demand due to external factors such as changing weather conditions. Daily orders are usually placed by FAX, or increasingly by

E-mail, e.g. using the "Tradernet" system, for next day delivery. This situation requires good planning skills to ensure that production is sufficient, and not excessive and therefore wasteful. Production managers have to anticipate what the demand for their produce is likely to be from the retailers. There appears to be little communication as regards the decision-making process the retailers follow. This situation will be more resolvable by the manufacturer if the workforce is flexible and well-trained. There is an increasing demand for production supervisors with greater IT skills. The increasing use of IT will decrease the work load of the administration staff as they cease to be a conduit for the sales information.

This company have systems that enable them to demonstrate to their retail customers that they can work to a required standard, a standard that is likely to be more implicit, rather than explicitly defined. The retailer will usually make inspection visits, feedback which is likely to define the necessary operational standards. The standard sought is not just a physical standard for the equipment etc., but concerns the way the factory is managed. Retailers are demanding a more rigorous approach to factory and human resource management. It is increasingly likely that the systems for training and the training policy will be considered. A well-documented strategy has been established that demonstrates clearly the human resource management systems in place, such as the training actions taken. They have been asked for details of how the staff are trained and the systems of training and assessment in place, and whether the training and assessment of competencies is against a national standard. So records and the establishment of an audit trail are important.

Development of ideas for new products is a two way process, manufacturers need to instill confidence in their customers regarding their ability to solve technical problems. In developing new products the manufacturers are left to interpret the objective outlined by the retailer, and are guided rather more by a reactive approach than by a proactive approach.

Relation with small retailers.
There is little interaction with small retailer customers. A fleet of vans sells directly to small enterprises of various types, restaurants, corner shops etc. Instigating a clearer and stronger training policy for the van sale team is a strategy the training department feel should be followed. Van sales are not currently a high business priority. It is also felt that training in these small outlets could be used as a marketing tool. All this is outweighed by the belief that any market loyalty that might be gained would be lost as soon as better discounts were offered by a competitor.

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2.3 CASE STUDY 2: FAST FOOD RESTAURANT

This is an American-based chain of fast food restaurants who are increasingly franchising the operation. The training policies of both the franchiser and a franchisee have been examined.

Franchiser

The headquarters of this enterprise are in the USA. Interpolating information supplied it has about 475 restaurants in the EU (all countries except Belgium, Luxembourg and Greece) employing between 14,000 and 17,000 people in the system. The proportion of restaurants, outside the US, operated under a franchise arrangement is 72% compared to 88% in the USA.

The franchiser's approach to staff development: The franchiser has developed a training strategy for use in their own restaurants, which is also offered to the franchisees. The objective is to maximize profits, by maximizing sales, whilst controlling costs and developing teamwork. The legal requirements e.g. Health and Safety are also covered as are various aspects of management development. Restaurant operations are divided into work stations, which cover one specific operation, e.g. frying or sales. The approach is surprisingly Taylorist in structure. Each work station is supported by appropriate training material. Keeping training and performance records for staff is recommended. Training material for the initial training of a new employee is available, and a required competence level required at the end of the training before progression to staff member status. Further development to a "Service Expert" is via on the job training, but again a specific level of competency is required. Progression to the "Service Supervisor" level is by on, and off, the job training. Work books have been produced for Supervisory and Basic Restaurant Management Development. These outline the training that needs to be completed, a reviewing manager would provide feedback and coaching as necessary. A further programme has been established for the whole of the restaurant management team.

A highly focused staff and management development programmes are thus available to relatively small enterprises, which they not be able to offer if operating on their own. The franchiser operates a large number of its restaurants, which might have influenced them to develop an effective training policy.

Franchisee

This restaurant is one of several operated by a franchisee whose main business is the operation of a number of car dealerships. The number of employees in the restaurant investigated varies between 60 and 90, of which 20 are full-time. The staff stay for a reasonable length of time,

with the staff turnover in the region of 100%, which is low for a fast foods outlet. Many of the staff come from the local University, which provides a ready pool of part-time labour. They operate using a management structure recommended by the franchiser; manager, assistant manager, shift manager, supervisor, etc.

Training was an important priority for the restaurant as they saw it as an important factor in meeting legal obligations of the hygiene regulations and other public liability requirements. The training policy recommended by the franchiser has been adopted by the restaurant for both staff induction and continuing vocational training. The company however has developed its own style and format for the delivery of the training, using groups of about 6 operatives, covering 3 of the work stations in one session.

Assessing competencies of the staff was important, and a requirement for progression within the restaurant. Individuals are tested and their performance evaluated, failures are required to repeat the test and training if necessary. Results of the evaluation are discussed individually with the employees. There is a requirement of the franchiser that the operatives are tested once a year for basic competencies. Training records are kept, which are likely to be examined during quality inspections by the franchiser.

The franchisee felt that they received good support for training from franchiser, including a comprehensive training manual. Having scope to deliver this training in their own style was considered important. Training the full-time staff for progression to supervisor and manager required a greater level of input from the franchisee.

2.4 CASE STUDY 3: A SUPERMARKET

This company is one of the largest retailers in the UK, with a vigorous growth programme in recent years. It operates a number of department stores employing in the region of 21,000 people, and over 100 supermarkets which employ a further 18,000. An active dialogue is encouraged between all the employees and the senior management, thus many aspects of this enterprise's business policy is openly discussed within the organization.

In 1992 this supermarket chain had about 2% of the UK retail food market, which makes it one of the 10 largest supermarkets in the UK. Its supermarkets are found in the more residential areas of the South-East of England. Its sales appears to be focused rather more at those at the more affluent end of the socio-economic scale. The shops tend to be of medium size, stocking a slightly greater preponderance of luxury goods compared to some of the larger supermarket groups. As with the rest of the retail sector in the UK their profit margins are under

pressure due to the high level of retail competition. They strongly promote their own label, linking it closely with their image for quality.

To make their "own label" concept work they see a strong need to collaborate with suppliers, i.e. to work together on such things as product development, use and appropriateness of ingredients etc. Standards are set that the manufacturer has to meet and demonstrate that they have been met. This is done in cooperation with the manufacturer. It is important for the supermarket to develop products that have their "signature' in terms of standard and quality. The extent of the relationship between it and its suppliers depends to some degree on the size of the manufacturer, and the fraction of the suppliers output they take. Overall the smaller manufacturer tends to need more guidance in achieving this supermarket's standard.

This company prides itself on working to high ethical standards in its business and has clear codes of practice to which they must operate. In this context it is the commitment of the supplier to quality and their attitude to customer complaints that is important. They would expect to agree the quality assurance systems used, as well as the product standards, together with methods by which these might be assessed. Hygiene and safety are important issues, so it is expected that the manufacturer will give their employees appropriate hygiene training, preferably using a programme developed by an appropriate external body. If an internally developed training programme was used they would want to evaluated its appropriateness. In other areas, training to a nationally recognized standard would be considered to be a useful indicator of a company's commitment to quality, but it would not be used as the sole means of demonstrating the competence of the workforce.

In developing a relationship with a supplier, the supermarket would look carefully at the structure of the company, with particular emphasis on human resources. They would like to see not just the appropriateness of any human resource policy, but their commitment to it and whether it is a paper policy or if it is imbedded into the culture of the company. For instance, if the manufacturer's quality assurance system is ISO 9001/2 accredited, the interest is in who made the decision to work to the ISO standard and why it was introduced. Other questions that might be assessed include; how do they rate their own people; do they have a training plan and do they continuously try to upgrade their systems; can the quality assurance systems be overruled by production, especially in matters that could affect food safety. This supermarket would when possible like to assess if the manufacturer's production operatives are aware of the mission of their own company, particularly as it relates to human resource and quality assurance systems. It was felt that the trend towards quality

management systems outlined in the FORCE report on training in the agrofood sector was not particularly apparent in the smaller manufacturing companies.

2.5 CASE STUDY 4: LIQUID MILK PRODUCER

This dairy is a subsidiary of a large public company with substantial interests in the dairy sector, with creameries producing cheese as well as other products such as yoghurt and desserts. It is also a major supplier of liquid milk for the retail market. They have traditionally been involved with the doorstep delivery of milk to retail customers. With changing lifestyles and the trend towards a weekly shopping regime doorstep delivery was being questioned by the consumer. This situation was exacerbated as the supermarkets reduced the price of milk. Also with the increasing tendency for both partners in a household to be out working all day, milk was being left for long periods on the door step at ambient temperature, reducing its shelf life considerably. By the end of the 1980s doorstep sales of milk started to fall. So in an attempt to halt this decline it was decided to franchise individual rounds for the home delivery of milk. They started by offering the existing retail sales force, the "milkmen" franchises. Changing from being employed to self-employed franchisees requires a change in approach from the individual. If this venture was to be a success a corresponding change of attitude was required by those managing the franchisees, where different skills and attitudes need to be developed. To help franchisees make this transition from employed to self-employed status, and build their business in a challenging marketplace, a new training programme for franchisee managers was developed. This started with an assessment, so the trainees could understand the competencies required and how they rate against them. The programme then covered the legal and administrative aspects of franchising and the company standards expected, focusing on how to assist franchisees in their new role.

The franchise managers now hold regular monthly reviews with each franchisee to monitor results and plan for the future, also to give special help with accounts and accounting practice. In the region of 2000 franchises have been established. The scheme has been successful as sales performance has significantly improved over traditionally managed milk delivery rounds.

2.6 CONCLUSIONS

The relationship between UK retailers and manufacturers, is complex. Even with no formal partnership, alliance, or agreement between trading partners the system works to give some degree of stability without there being a long term commitment between them. This places pressure on

the manufacturer to be innovative and responsive. The other vital ingredient is quality, or rather the commitment to quality. That is both product quality and quality of the systems in place. The manufacturer therefore needs to look carefully at its human resources management policy as well as the quality of the technology. Production operatives need to understand the mission of the retailer as much as they do the mission of their employer.

The small retailer is driven almost completely by the need to maintain profit margins in a competitive market. Any perceived advantages of training are usually completely overshadowed by this pressure. They are therefore, a group largely ignored by the manufacturer.

In view of the likely increase in the numbers of franchise operations and increasing importance of the catering market for the food producers, a fast food franchise operation has been examined. The pan-European approach of the fast food franchiser is a clear feature of their training policy. Customers queuing for service is to be avoided, so high levels of service need to be delivered, and it is recognized that this can only be achieved by developing a highly trained workforce. A structured and specifically developed training policy with a supporting training programme is provided by the franchiser and available to franchisees both large and small. This arrangement would be expected to be particularly useful for smaller companies. Personnel are appraised and their competence assessed according to the fast food franchiser's standards. They therefore have a pan-European standard for their training, this could potentially make the use of national training structures difficult. Within the UK the competence based NVQs are seen as too broad and the system unable to respond quickly enough to meet changing business needs.

The desire of the franchiser to deliver a uniform level of service irrespective of location of the franchisee could have implications for internationally recognized qualifications, especially if franchising develops to the same extent as in the USA. If as in the case of the fast food business the franchisee sources their own raw material directly from manufacturers, according prescribed specifications, there could be training implications for the manufacturer. Small manufacturers, especially in less developed countries, might have to raise their operational standards to meet these specifications.

3 GERMAN CASE STUDIES

3.1 INTRODUCTION

3.2 CASE STUDY 1: DELICATESSEN

The foodstuff/delicatessen department of this store belongs to one of the major department store groups in Germany and is located in the pedestrian precinct of a large city. Some years ago the food department was re-designed according to the concept of an "experience market" for the premium and quality end of the market. It addresses a critical big-city group of customers, with a relatively high purchasing power. So a fish restaurant and a juice counter, which are run by the department, have been integrated into this store's operation. The aim is to be one of the best providers in the city and to achieve specific market advantages by offering an especially well-assorted range of products. Thus, the assortment of this department, which is located in the basement of the store, comprises of 15,000 articles, that is about three to five times as much as that of a normal supermarket. Only 3,000 of these 15,000 articles are ordered and delivered from the group's central stock, mainly packaged articles or tinned food with a long durability. All the other articles are delivered directly from the producer, especially the wide variety of freshfood articles such as meat and sausage, cheese, all types of perishable dairy products, fish, salads, vegetables and fruit, breads and pastries. Any extension of or change in product profile lies within the sphere of responsibility of the head of department working in close harmonization with the regional purchasing department for foodstuffs.

How does a producer become one of the department's suppliers? In principle by offering his products to the purchasing department. As far as we can see, there are two approaches, one option is to submit an offer to the department's purchasers. Yet, it is not the head of department's individual and only decision to accept a new supplier, as any supplier must be "listed" regionally with the main purchasing department to be eligible as a supplier for this store. The "listing" takes place after testing the product against various company specifications. The product is tested by both the company's laboratory and an independent laboratory. The product's possible ranking and the overall assortment is determined and, last but not least, the cost of the product is considered. On the basis of our present research, some details of this testing procedure remain unclear. In any case, for every "type of product" different potential suppliers are "listed" and the head of the department who is in question here can choose among the listed suppliers on the basis of the criteria of his own department. Thus, a general testing of quality has already taken place so that in the shop only the freshness of the products must be checked. It goes without saying that not all suppliers are also producers, some are, for

instance, wholesale market salesmen for fish or fruit and vegetables.

Once the relationship to suppliers has been established in this way, the fresh food department orders the goods by fax for the next day. The determination of scope and structure of the order is based on information about the development of the weather as well as on experience of the customer trends. In the interest of the best-possible supply, the head of department also has knowledge of the respective supplier's flexibility of production and delivery. Basically, a policy of supplier fidelity is pursued which means that the relationships with the suppliers have been established over many years which generates an understanding of each others requirements.

Producer or supplier representatives often seek talks with the head of department or the senior staff of the various freshfood sections. Such talks also address questions of product quality or product development and allow the supplier to seek feedback on their products from the sellers' point of view. However, these talks are not held systematically and are far from being organized by the group, they just result from the suppliers' interest in the continuity of business relations.

The department's customer-oriented quality concept extends to the sales staff, who should be skilled in their area. A special example in this context is the fish counter: the fish is sold by a skilled fish cook who can give a competent answer to the customers' frequent questions on how to prepare the less well-known species of fish. There are different forms and measures of continuing training for sales staff, especially as to the products, their treatment, and presentation and their approach to the customers. In this context, senior sales staff pay contact visits to certain producers and suppliers, again this form of cooperation is not systematized. Close and direct cooperation can only be found in the preparation and realization of special campaigns. So, for instance, the senior sales assistant of the salad bar paid a visit to one of the major producers of fresh salad when the composition of a new salad creation was on the agenda. Another example is the preparation of a wine campaign for which the staff in charge travelled to the Bodegas to acquire product knowledge and to agree upon this special campaign.

According to our research, serious quality problems leading to conflicts with suppliers and in the end even to a possible deletion from the list have been very few and far between. The well-established relations of many years which are referred to by the term "supplier fidelity" rather seem to have led to a situation in which both sides know what to expect from one another. This means in the absence of a systematic form of preventive co-operation that producers/suppliers who want to secure this market segment

for themselves have to use their internal mechanisms to adapt to their buyers' changing wishes and options. Thus, there is abstract approval of the statement that joint continuing training activities among producers and retailers might make sense especially for quality issues, so far there have been no approaches in this respect.

A good example of this enterprises' quality approach concerns fresh meat sales. After a comprehensive public debate on meat safety issues, the department recorded a dramatic slump in turnover in the fresh meat section. The only alternatives were to give up the meat counter or offer meat that is acceptable to their critical clientele. The decision was taken to "list" a new producer and to further test his products. It was a medium-sized slaughterhouse company to which a number of meatproducers were associated, all of them located within 50 kilometres of the slaughterhouse. This association guarantees certain standards in the husbandry of the animals on the farm, including; use of straw for the animals, the breeding policy, not to use antibiotics for fattening, no contamination of ground water by liquid manure, only farm feed for fattening. These husbandry details and information on conditions in the slaughterhouse are available at the point of sale for the customer. In front of the meat counter there is an album on display which portrays all the farms in question, addresses and phone numbers of the farmers are provided, and the customers are invited to inspect the premises to assure themselves that all the details given are correct.

3.3 CASE STUDY 2: HEALTH FOOD

This example is a cooperative: i.e. the association of German health food houses in the tradition of the life reform movement of the 19th century, which emerged as a counterweight of the massive industrialization with its side effects impairing people's health. The cooperative itself maintains two central institutions: a testing institution including a laboratory which awards its "logo" as a confirmation that a certain product meets the quality standards set and an academy which is primarily used to provide vocational training and continuing training for its members and employees.

The cooperative works with a broad quality concept which has developed historically and the concretization of which is effected by a decision taken in its committees, i.e. in a process of consultation including the producers. The relation between producers and buyers is basically defined in form of a partnership: the producers, at present about 75 in number, sign cooperation agreements which stipulate their acceptance of quality criteria. Each product to be awarded the "logo" has to go through a strict testing procedure in cooperative-owned or independent laboratories. The cooperation contract is not sufficient to guarantee the producer he will supply

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members of the association, this is done product by product.

The stores buy directly, or through independent regional wholesalers, from producers who are cooperative partners. Thus, there is no central purchasing but only a central product evaluation with the award of the "logo". For this reason, the person in charge of this intermediate evaluation process does not call himself "purchaser" but "product mediator".

The cooperative's logo is the proof of the quality standard the cooperative demands and which it guarantees to its customers. Producers must pay a licence fee to use the "logo", this generates revenue which primarily serves to finance the cooperative's central institutions, as well as the central marketing and central training departments.

The quality standards set by the cooperative relate to (a) assortment, or the product range, (b) the raw materials, (c) the processing and (d) quality control. For the different product lines, e.g. cereal, breads and pastries, vegetable oil, etc., their combination forms the quality guidelines which are promulgated to the customer via trade journals and customer magazines.

For the four above-mentioned criteria, the following general standards have been set:

a) *Assortment.* The basic assortment of the health-food stores consists of (1) "whole food" for health and nutrition, (2) nutritive complements to avoid symptoms of deficiency and in times of special needs, e.g. after an illness, (3) dietetic foodstuffs, (4) natural toilet articles and cosmetics as an alternative to synthetic products and (5) natural remedies for self-medication and for an application in different naturopath treatments.

b) *Raw materials.* Exclusively high-quality raw materials from organic cultivation according to the cooperative's guidelines and the framework conditions of the IOFAM, the international parent association of organizations practising ecological cultivation. Here, an important criterion is the check of the product from "the field to the shelf".

c) *Processing.* The processing standards concentrate on mild procedures (e.g. the cold pressing of oils), on procedures which do not impair the raw material's value and on the limitation of additives to quantities and amounts which are far below the limits which the legislator has declared admissible.

d) *Quality control.* There is a chain of quality controls of which the cooperative's laboratory is the centrepiece. All products are checked at least once a year, perishable products even more frequently.

In this case of advanced quality policy which is oriented to ecological and health standards, a check only takes place on the product. Also in this case a certain supplier fidelity (secured by cooperation contracts including quality clauses) is to guarantee that producers organize their own enterprises according to these criteria. On the part of the cooperative, there is no systematic control of the real conditions of production in the producers' enterprises. Procedures to ISO 9000 standard are gaining ground: yet, this is not a systematic component of the cooperative's policy. It is acknowledged, in theory, that labour quality may be an important factor to achieve product quality; this, however, is left to the producers. There are few approaches to joint discussions between cooperatives and producers on the translation of quality standards, or to continuing training activities, which would also include employees at the producers'.

Some producers offer well-known branded products which are not exclusively produced for the cooperative and as member stores can take up to 25 per cent of products without the quality "logo", in reality a situation arises in which the potent producers have a relatively strong position and in which you would rather have to speak of "quality bargaining".

Moreover, the traditional orientation of the health food movement and the well-established relations between producers, cooperative and health-food stores make it very difficult to win new groups of customers who do not belong to the traditional clientele of healthfood stores. In addition, healthfood stores can only profit to a limited extent from the crisis in the traditional food supply.

3.4 CASE STUDY 3: LARGE MANUFACTURER OF FRESH MILK PRODUCTS

The manufacturer is part of one of Europe's largest food multi-national companies. The products of this company are known for their high-quality, the entire advertising and marketing strategy is concentrated on "quality". The brand-name is well-known Europe-wide and stands for freshness, superior quality and taste. This is very interesting in so far as the interlocutor, a leading personality within the distribution department of the company, did not see any serious problem with regard to freshness and quality in relation between manufacturer and retail trade. According to his statement, it is justified to say that all persons involved in the production and distribution chain focus special attention on the freshness of the products out of self-interest. If the claim for freshness was not met their market position might be lost.

In this connection, a special role is attributed to the imprint "best before" and its observance. First of all it should be emphasised that in this

company the "best before" date is not exclusively linked with product safety. The decision concerning the "best before" date rather reflects a more complex understanding of product quality. The criteria for the "best before" date are deterioration, taste and appearance. This means that the manufacturer guarantees the quality of the product as designed until this date. In this company, there are 15–20 days between supply and the "best before" date. The shelf-life has to be fixed much later than the "best before" date. According to the interlocutor, there is hardly any other sector, in which the customers pay special attention to the "best before" date compared to the fresh milk and milk products sector. The retail trade has laid down a rule for itself, saying that the goods are to be labelled especially and sold at reduced prices three days before the "best before" date or are removed from sale in good time.

In principle, the company uses three different types of distribution channels, which are all supplied by one central warehouse. The first channel is the one of the fresh produce delivery centres which mainly serve the smaller supermarkets and self-service stores. The supermarkets place their orders with the fresh produce delivery centres and these centres place their orders with the central warehouse. Just-in-time-delivery and quality and freshness guarantee have become central criteria for their market position. The second channel is the one between the fresh produce central warehouses of the sales chains and the central warehouse of the company. The fresh produce warehouses of the sales chains order with the central warehouse and distribute the goods to the retailers. In this connection we are again confronted with the problem of "listing". Every product offered by the company has to be "listed" in order to be available for the members of the sales chains. So, the company presents all new products to the decision-makers of the sales chains with the aim of having them listed. Here, special conditions like fees, prices and preferential terms are being negotiated. As far as this company is concerned, the partners do not carry out any special controls because the name itself guarantees quality.

The third distribution channel is the one of the self-service department stores. The majority of these self-service stores are directly supplied by the company and the company is to a great extent responsible for the management of the stocks. This distribution channel plays an important role for the company due to the fact that shelf-place as well as sales are considerably above average as compared to other sections of the retail trade. With regard to the self-service stores two further measures have been taken. The sales staff concentrate on the self-service section; several times a month they come to these stores and help displaying the goods, carry out special actions and participate also in ordering. On the delivery days – which are

twice a week – the company engages service staff which are only in charge of the range of products of this company. These measures help to a large extent to realise the "freshness" policy.

Reflections are being made, whether the other sections could be attended more intensively; however, in this connection it is not so much a question of the "freshness", but rather of the presence of the product range in the stores. Consequently, the central problem is whether the range of products is available in sufficient quantities and diversity. This aspect as well as the "placement" of the goods represent the main strategic problems, which could be dealt with by means of a more intense cooperation between manufacturer and sales staff.

A relatively new phenomenon is the supply of own label brands to the retail chains. This tendency is increasing and if relevant market shares are to be maintained the company will have to accept this. The problem to be faced in this connection is that the purchasers prescribe a defined quality and price resulting in considerable pressure on profit margins. This is a tricky problem if the traditional quality standards are not to be jeopardized.

3.5 CONCLUSIONS

Two of the cases described deal with large-scale retailers who purchase products of high quality from their suppliers/producers. The quality standards are set by the retailers – in the case of the health-food cooperative, this is done explicitly in a catalogue which the producers have to agree to by their signature under a cooperation agreement. There is no regular communication on products, product innovation and quality or on prices. In the case of the cooperative, communication is more institutionalized compared to the department store's delicatessen section. In the latter case communication is, above all, motivated by the suppliers' interest in the continuation of business relations. Contacts between sales staff and producer companies are rather the exception and not of a systematic nature. This is true also for the third case study, but there are efforts to influence more and more the correct handling of their products in the shops. The significance of continuing training increases both among retailers and among producers/suppliers. With the question of quality increasingly gaining importance in continuing training activities.

4.1 SPANISH EXPERIENCE

It has not been possible in this small study to make a profound investigation into the situation in Spain. As in other countries, the relationship between retailers and food manufacturers is something which develops between the various actors with little public or scientific attention. It seems that here the relationships between the sectors depend more and more on developing secure quality standards. There is a real lack of empirical studies, with little interest in the sectors in thinking about these links.

If we look again at the Spanish case studies in the FORCE/CEDEFOP surveys for the two sectors in question for information on the relationships between the enterprises, we detect, what we have already seen in Germany and in Great Britain. Firstly, there is a clear tendency for the manufacturers to try and get to know, via the retailers, more about the wishes of the customers. This has been organized in a very traditional way up to now. Staff, especially the sales staff, are trained to identify what the customer wants and to know the retailers better. Generally speaking, training activities are strongly divided between producers and retailers, with little common activities. The most exciting example of cooperation was found documented in the Coca-Cola Study, (Section 5.4) not concerning training to develop specific skill, but directed at activities agreed between producers and retailers designed to help staff better understand the attitudes of consumers. This initiative concerns the cooperation between the supermarket group Caprabo and the pet food producer Gallina Blanca Purina, in the Barcelona region. Both wanted to know how the owners of cats and dogs feed their pets. They thought that most often the owners would feed their animals with home-made food, leftovers from meals and so on. The information was required in order to convince them to use commercially produced pet food. They placed a questionnaire in the Caprabo magazine, which is mailed to clients of the supermarket. The data from the responses were used to design a campaign for the promotion of pet food, which included re-positioning the pet food displays in the stores. An increase in pet food sales was achieved.

There is also an example of the initiative coming from a retailer, this concerns one of the most traditional and quality conscious retailer in Spain. They are extremely client-oriented with a strong approach to consulting with their costumers, this led them to arrange for their shop assistants to visit their suppliers and learn as much as possible about the characteristics of the products and how they are made.

To resume these few indications, one may find in Spain the same tendencies to strengthen the relationship between retailers and producers because of the need to better understand the

customers' wishes, and to produce and sell higher quality products, but this up to now has not led to common activities in the field of training.

4.2 DUTCH EXPERIENCE

STOAS[10] is undertaking research on the subject of the influence of developments in the food industry and the retail sector on qualifications. The objective is to identify ways to improve the responsiveness of education and training towards developments in the labour market. The situation in the Dutch food sector is very similar to the UK and Germany. The demand is for fresher, better quality foods, while the consumer is demanding great integrity and product safety from those in the food chain. The market is very competitive and profit margins low. The pressure is to reduce the length of the supply chain by selling fresher food. The consumer is seeking more information on product quality and the use of fresh products. Quality assurance is increasingly important to both manufacturers and retailers. However quality assurance skills alone are not sufficient, they now need to be complemented by commercial skills. There is a similar broadening of qualification with buying and selling personnel who are expected to possess product-specific knowledge. Thus a greater level of skill and knowledge of food technology is required by retail staff. The pressure of the customer is transmitted to the food producer by the retailer, generating needs of good commercial skills as well as quality assurance and food technology skills.

10 STOAS, Foundation for the development of agricultural education and training, Agro Business Park 91A, Wageningen, The Netherlands.

ADDITIONAL INFORMATION SOURCES 5

5.1 SOURCES OF ADDITIONAL INFORMATION

The subject of manufacturer-retail relationships is of interest in many states of the EU. It was a theme of the case study of John Boutaris and Son which was included in the Greek report for the FORCE/CEDEFOP study on training policy in the food and beverage sector. Two other studies, one by the Food Industry Management Group, Wye College, Kent, and the other by Coca-Cola, were published earlier this year. These looked at various aspects of manufacturer – retailer collaboration and relationships, and gave further insight into the training and human resource implications that arise in the supply chain.

5.2 THE CASE STUDY OF JOHN BOUTARIS AND SON

The description of the main elements of enterprise policy of the Boutaris group is taken from the Greek FORCE-Sector report on continuing vocational training in the Food and Beverage Industry conducted by the INE, The Labour Institute of the Greek General Workers Confederation.

This is a group of companies active in the food and beverages sector, the formation of which started in 1984 with the acquisition by J. BOUTARIS S.A. of VOSSINAKIS S.A., the second largest manufacturer of french toast in Greece, and one of the more recent developments was completed in 1992 when 67% of the share capital of HENNINGER HELLAS S.A. (a brewery) was acquired. Some indicators of the company's profile are:

- It is the largest producer of Greek wine, with a dynamic presence in the beverages sector and a well-balanced range of strong products.
- It has an extensive distribution and sales network both at home and abroad.
- It is organized along decentralized lines and exhibits flexibility and an ability to respond quickly to new developments.

The Stenimachos winery was established in 1976 as a Societe Anonyme and is located in a semi-urban area. Product quality considerations are important given the VQPRD status of the wines produced at the plant. These wines are made from *xinomavro* grapes grown in model vineyards located in a legally defined region following traditional wine making techniques. Technologically, the most advanced sections of the winery are the quality control unit and the wine laboratory. The most recent technological improvement was the upgrading of the bottling facility. Although this did not affect the way work was organized in the winery it made the staff more conscious of quality issues.

5 ADDITIONAL INFORMATION SOURCES

Production quality is ensured through strict adherence to specification and quality control carried out by specialist staff. In 1989 the University of Thessaloniki was contracted by the company to carry out a study on a quality system that could be developed and implemented by the winery. At the time of this study the company with the help of an outside consultancy firm was at the final procedural stages of obtaining certification of its quality assurance system to ISO 9002 standard. Moreover, the company has successfully introduced quality circles in all its production facilities, including the Naoussa winery.

The Boutaris winery in Stenimachos does not plan or carry out vocational training programmes exclusively for its own staff. Rather, the site manager identifies the training requirements of his employees and forwards them to the group's management who are responsible for deciding which training programme the company will implement. The training programmes are attended by staff from various units of the Boutaris group of companies including employees of the Naoussa winery.

However, the company's Naoussa employees participate mainly in seminars organized by the "Naoussa Quality Wine Interprofessional Association" which is the body responsible for research and training related to the vine-growing and wine-making in the Naoussa wine region. It is the first interprofessional association set up in Greece and its aims are:

- To introduce general rules governing relations between vine growers, wine-makers and wine merchants.
- To elaborate and implement R&D and product promotion programmes for the region's quality wines.
- To regulate output according to fluctuations in consumer demand. Growers, wine-makers and traders use the association as the vehicle of their collaborative efforts to promote this goal.

Training is seen as a complex process which poses the additional challenge of overcoming vine-growers' traditional scepticism and inertia towards the training activities.

The specific aims of the vocational training seminars organized by the association are as follows:

a) With regard to vine-growers:
   i) upgrading of their technical skills,
   ii) obtaining better knowledge of the wine market,
   iii) increasing their sense of responsibility towards the final product,
   iv) strengthening their knowledge of, and commitment to, high quality and efficient marketing.

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b) With regard to the winery's staff:–
   i) updating their knowledge about developments in wine-making and wine testing (with emphasis on technical aspects),
   ii) getting to know the vineyard better as a means of underlining the importance of the raw material in the wine making process.

If one takes into account the association's training programme for 1993 one can see that the local wine companies' strategic aims was to raise the quality of the wine produced, and to improve its consumer appeal. This led them to extend the training offered, to include waiters, wine and spirit shop owners and consumers by organizing a seminar for 20 individuals scheduled to last 100 hours and with a budgeted cost of DR 6.7 million. Obviously this widening of the scope of the training programmes offered along the supply chain to include other groups does not, and could not, affect the permanent integrated character of the training provided to the vine-growers. It does, nevertheless, highlight the relevance, dynamism and originality of the Association actions and, ultimately, the appropriateness of the training policies of the wine companies which play a leading role in the association.

5.3 "BREAKING WITH TRADITION"

Horizontal Partnerships and Alliances

In the report on "Breaking with tradition" four major types of horizontal alliance between retailers were identified by Hughes and Ray[11]:

i) Development-led alliances; where two retailers jointly exploit retail development such as in a less developed EU state or central Europe.

ii) Purchasing-led alliances; aimed at increasing the purchasing power by formation of large, possibly pan-European, purchasing groups.

iii) Skill-based alliances; alliances involving the transfer or exchange of information and knowledge, e.g. Leclerc (France) training Polish retail managers while seeking to establish retail stores in Poland.

iv) Multi-function alliances; of which there is one major example, Associated Marketing Services (AMS), where the aim is to coordinate various aspects of business with the overall objective of benefiting and developing business.

11 Breaking with tradition, Edited by David Hughes, Wye College Press, 1994

5 ADDITIONAL INFORMATION SOURCES

Members of the 9 largest pan-European buying alliances now account for between one third and one half of the total European food market. There are thus important implications for the food manufacturing sector in these alliances, just as there might be for the retail sector from the increasing concentration in the food manufacturing sector. While the development of retail alliances may provide manufacturers with the opportunity to develop Europe-wide brands, there may be competition issues that are important to manufacturers, consumers and farmers alike.

Horizontal alliances between manufacturers are less numerous. The major reason for developing manufacturing alliances is usually to exploit complementary technology, and reduce the time for innovation. However, having an innovatory process could be important for keeping other manufacturers out of the market. Two significant examples of horizontal alliances between manufacturers are the Nestle and General Mills joint venture to form Cereal Partners Worldwide, and that between Unilever and BSN to make and market ice cream products.

Vertical Partnerships and Cooperation

Manufacturer (or supplier) – retail relationships are aimed at increasing market power and improving profitabili', by increasing sales and/or reducing costs in the supply chain. The scope for supply chain management come largely from developments in information technology such as electronic data interchange (EDI). Other factors driving the formation of these relationships include the desire to improve and maintain quality, and the need of the retailer in the UK to exercise "due diligence" with regard to food products sold as required under the 1990 Food Safety Act. Vertical relationships at one level can involve the introduction of EDI, or agreed quality assurance procedures, but with little direct collaboration between partners. They can also be strategic, based on a strong understanding of each others business and probably involving an exchange of what would normally be confidential sales information. In vertical partnerships the potential for partners to influence each others human resource structure, particularly that which relates to labour force qualification is considerable.

In the case studies reported in this study of Hughes and Ray there were examples of companies restructuring their management in response to the relationship developed between the partners. This was supported by training to develop skill and encourage loyalty. It was recognized that any restructuring would be greatly facilitated if there was a good level of trust between the partners. In partnerships all parties need to be fully aware of their interdependence and how the actions of one party can have repercussions for the other. Partnerships also raise the number of levels at which

interaction between them takes place, which has consequences for efficiency.

5.4 SUPPLIER RETAIL COLLABORATION

The Coca-Cola Retailing Research Group Europe, undertook a study on "Supplier-Retailer Collaboration in Supply Chain Management", which was published in May 1994[12]. The results are based on answers to a questionnaire by 127 important European retailers and suppliers and to 11 case study descriptions. For our purposes it may be sufficient to resume the key findings of this study.

The aim of supplier-retailer-collaboration (SRC) is defined as "reducing excess costs in the supply chain and/or improving profitability by increasing sales and gross margins." There are two types of collaboration identified: the first on reducing costs in operations and the second, a more strategic one, on developing synergies in the marketing mix by means of improved range of products, joint product innovation and lower cost promotion.

The results show that SRC is normally a retailer-driven process coming from their need to reduce costs and to be competitive in terms of customer orientation and customer service. The study underlines that the social character of collaboration is different if there are equally powerful partners or one partner with predominate market power compared to the other. In the first case collaboration seems more to be a "strategic alliance", while in the second case one could speak of a "virtual integration".

In any case collaboration begins with a strong commitment by the top management and is based on trust for long-term relationships. Collaboration needs employee skills, operational mechanisms and changes in personal attitudes. When collaboration is working a reduction in staff can be expected with a general reshaping of skills and responsibilities for those remaining. This means that there will be an important effect on rationalization affecting the personnel and the work organization.

Important instruments of collaboration are the integration of data-systems and also the integration of knowledge, for instance via promoting of new products or through suppliers with brand names producing a second private brand for the supplier, exactly orientated to his wishes.

Concerning priorities in Human Resources Management the study reports suppliers and retailers priorities:

12 Supplier – Retailer collaboration in supply chain management. A study conducted for the Coca-Cola Retailing Research Group – Europe by GEA Consulenti Associata de gestione aziendale, May 1994

5 ADDITIONAL INFORMATION SOURCES

KEY PRIORITIES OF HUMAN RESOURCES MANAGEMENT FOR SUPPLIER RETAIL COOPERATION

SUPPLIERS	vote[a]	RETAILERS	vote[a]
Multifunctional experience	8.0	Multifunctional experience	8.7
Climate of trust	7.8	Climate of trust	8.3
Long-term commitment	7.5	Functional skills	7.5
Openness towards change	7.4	Training and education	7.4
Objectives and incentives	6.7	Performance measures	7.0
Training and education	6.7	Cross-industry experience	6.7
Performance measures	6.5	Objectives and incentives	6.0
Functional skills	5.7	Openness towards change	5.7
Cross-industry experience	5.6	long-term commitment	3.8

Source: Supplier – Retailer Collaboration in Supply Chain Management.

(a) the relative importance of various factors indicated by a sample suppliers and retailers using a scale 1–10

They both agree on the top two priorities; then the retailers emphasise more the skills, while the suppliers underline long-term orientation, a big need having in mind the tradition of short-term profitability. Training is not so highly valued, it is considered more important by the retailers than by the suppliers.

This study estimated that there are important cost reducing effects in SRC and observed an important cross-European trend towards collaboration. Possible approaches of collaboration in the field of training of personnel are not mentioned in the study, and not found in case descriptions, but appears to be retailer led.

CONCLUSIONS 6

The dynamic and competitive nature of the food supply chain has resulted in quality, in all its aspects, being a dominant issue in the inter-relationships between the sectors. One important perspective of quality is quality management, i.e. to ensure efficient, timely and correct production or delivery of a product or service. This is manifested in the manufacturing sector in many ways, typically by the introduction of team working for maximum flexibility, and in the retail sector by the attention to customer care. A further element of quality management important to the sector is quality assurance. Developments in this area are probably the result, at least in part, of pressures from retailers for assurances that their specifications are met. More recently the EU hygiene directive requiring the implementation of HACCP to ensure the production of safe food has increased awareness in this area. The effects of quality assurance on training have been previously discussed. Thus the customer – supplier relationship at all stages of the supply chain is important, with quality assurance likely to receive more emphasis if the proposals to permit a due diligence style defence in food legislation are accepted in the EU.

When a formal link exists a reciprocal, from manufacturer to retailer, influence promoting training can be seen for smaller retailers. One case study examined concerned franchising of retail sales for the door step delivery of milk. To maintain sales in a shrinking market it required an increased level of customer service and understanding of this highly perishable product. To achieve the levels of motivation and commitment concerned a proprietary involvement was thought necessary. Appropriate training programmes were devised and implemented, resulting in a group of receiving a higher level of training compared to when they were employees. Franchise arrangements are increasing in many areas, with many in the fast food sector, forming a significant group of customers for the food manufacturer. The franchising organization sets the specifications for many of the aspects of the business, from job qualification to raw materials. This can create a pan-European standard, which could result in transference of good practice across the EU. Problems for the franchiser could result from the wide diversity of institutional arrangements in place in the various Member States. When raw materials are sourced locally, quality standards of SME's in less developed regions could be raised. It would seem that franchising could have a profoundly positive effect on training in both small retail and manufacturing SMEs. It is in the franchiser's interest to ensure a high level of service etc. and the franchiser is in a good position to develop appropriate training programmes and to monitor their delivery. The effects of franchising on training in the retail and catering sectors is an area that could be usefully further investigated.

6 CONCLUSIONS

Without a franchise structure there seems to be little chance of manufacturer influencing a small retailer. It is a market where a small price reduction could be sufficient reason to break any informal relationship between supplier and retailer. Manufacturers are therefore not prepared to invest in promoting any action. Although training could be strongly linked to sale promotion and public relation activities.

The only evidence of formal collaboration between large manufacturing enterprises and large retailer was found when the retailer was the dominant partner. From the German case studies in particular it can be seen that the increased orientation towards customers in the high quality retail segments requires the sales staff to be familiar with the products on sale. This includes knowledge of their culinary use and preparation. In sensitive areas like meat, positive sales result when the customer is informed about the origin of the meat and of the conditions of the livestock breeding. There are many informal contacts between the buyers and the suppliers' representatives giving rise to the opportunity for mutual learning and of vocational training without a systematic pedagogical intention. Regarding quality assurance there is strong self-interest embedded in long lasting cooperation and for partners in the supply chain to know and respect each others criteria. These criteria are rarely expressed, but are learnt in a communicative way. Up to now not much attention has been made to work organization, but from our studies this now appears to be changing, with retailers now being interested in the partner company's qualification structure.

With the German health food shops, the cooperative society gives the producer written quality standards, there must be a commitment and adherence to these standards before they receive a quality mark or logo that identifies their goods as health food. The UK meat processor (UK Case study 1) was participating in various quality systems and so in receipt of a number of quality marks. This resulted in auditing visits from the various organizations concerned, placing pressure on production. The UK supermarket also gave written quality standards and product specifications to their suppliers. The resulting quality mark was now the supermarkets "signature".

Cooperation in the development of new products or the improvement of existing ones is to be found within the sector. This does not appear necessarily to develop joint training activities. Cooperation in electronic data exchange or in the use of product numbering schemes would seem to be an area for possible joint training initiatives. The problems are exacerbated by the lack of an industry standard. We have seen common training activities are the exception between retailers, suppliers and producers in the food and drink sector, other sectors, as dis-

cussed in the FORCE sector study about car-repairing, where there has been a strong development towards "collaboration in training", but as a one-way-street-activity, from the big car producers to the repairers and sellers of their cars. For the small repairers of cars the results are, as shown by the report, ambiguous.

Training along the quality chain – some ideas
Bearing in mind the status quo, development of a complete training programme for to cover both sectors is unlikely, but we can see from this study that common training activities might be possible for the future. The overall aim of such activities is to help all employees understand their specific role in the quality chain. Training activities can give the employees a broader understanding of their own profession or professionalism of their work.

It is possible to distinguish between three levels of training dealing with the relationship between the two sectors.

1. Modules to learn about the supply chain.
2. Study visits and exchange of experts for training activities.
3. Common training activities.

1. Modules to learn about the supply chain.
There are an increasing number of areas where the consumer seeks reassurance regarding the history of the food offered. This can be when ethical issues such as those in meat production are raised, or could relate to quality and wholesomeness of food. Training using concrete examples from a supplier could therefore be an advantage. This also works in reciprocal sense as manufacturers need to understand the retailers mission, when concrete examples, perhaps in the form of videos of the retail operation, would be useful. There is therefore a need for the training department to work with their commercial colleagues, bringing a new orientation to training.

2. Study visits and exchange of experts for training activities.
An additional step for this new orientation could involve the exchange of personnel for training. This could be in the form of study visits, where direct contact with personnel in a different part of the supply chain could be of considerable interest. These visits would need to be well prepared and evaluated afterwards. There are a few examples of study visits, but more research is needed so guidelines can be developed for running these activities. Another approach would be the exchange of experts, from both the commercial and training departments.

3. Common training activities.
Common training with employees from a number of enterprises is likely to be the exception. Commercial and technological interactions

6 CONCLUSIONS

are highly valued, as in product development. They therefore suggest that there could be benefits from some form of common training activity. It is easy to identify common training objectives such as TQ, however there are many practical difficulties, such as the location of companies.

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